

VASAKRONAN GREEN BOND FRAMEWORK AND COMPANY OVERVIEW



VASAKRONAN

// Green Bond Definition and Green Bond Principles

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green Assets with environmental benefits aligned with the four Green Bond Principles (“GBP”), established by the International Capital Market Association (ICMA).

This document refers to the latest version of GBP, which was published in June 2016.

Company Overview



The Property Company Vasakronan

Vasakronan is the leading property company in Sweden with operations in four major regions – Stockholm, Uppsala, Gothenburg and Öresund. Vasakronan’s portfolio is comprised of 179 properties with a total area of 2.4 million square meters, valued at SEK 116 billion (December 31, 2016). Vasakronan is jointly owned by the First, Second, Third and Fourth Swedish National Pension Funds.

Nearly 40 percent of the energy consumed by society is associated with buildings. Properties have an impact on the environment throughout their life cycle, i.e. from project planning, construction and management to renovation and demolition.

Sustainability is a natural and integrated part of Vasakronan’s business and organization. Our sustainability work is comprised of financial, environmental and social responsibility efforts. These efforts are based on the ten principles outlined in the UN Global Compact, internal policies/guidelines and our Code of Conduct. The work is goal-oriented and long-term.

Environmental efforts are based on the Precautionary Principle and they are carried out within the scope of the company’s environmental management system, which has been set up in accordance with the ISO 14001 standard. Our processes have been designed so that environmental aspects are dealt with during all stages of a building’s life cycle. The environmental management system has been integrated into our overall quality system and coordinated with the business planning process. Both internal and external audits are performed to ensure compliance with the environmental management system.

Efforts to lower our energy consumption and only use renewable energy sources are important environmental issues. Furthermore, low energy consumption is a prerequisite for obtaining environmental certification for buildings. Our facilities management has primary responsibility for energy consumption in existing buildings, along with preferred choice of energy source. Energy-related efforts are governed by our energy strategy and environmental policy.

Since 2009 Vasakronan has improved its building's energy performance by 50 percent. As per December 31 2016, Vasakronan reduced the average energy usage in all assets to 110 kWh per square meter and had certified 77 percent of its building stock, mostly according to the LEED rating system.

The ambition is to have a 100 percent certified portfolio and to reach LEED Platinum for all new construction and major renovation projects and to reach at least LEED Gold for all existing buildings.

The results of Vasakronan's sustainability work are reported annually, according to GRI, and are available in the Annual Report and on the company's website, www.vasakronan.se. Energy performance, water intensity and quantity of certified properties are reported quarterly. In 2012, Vasakronan began reporting sustainability performance to GRESB, which has rated Vasakronan "Green star" every year since 2013.

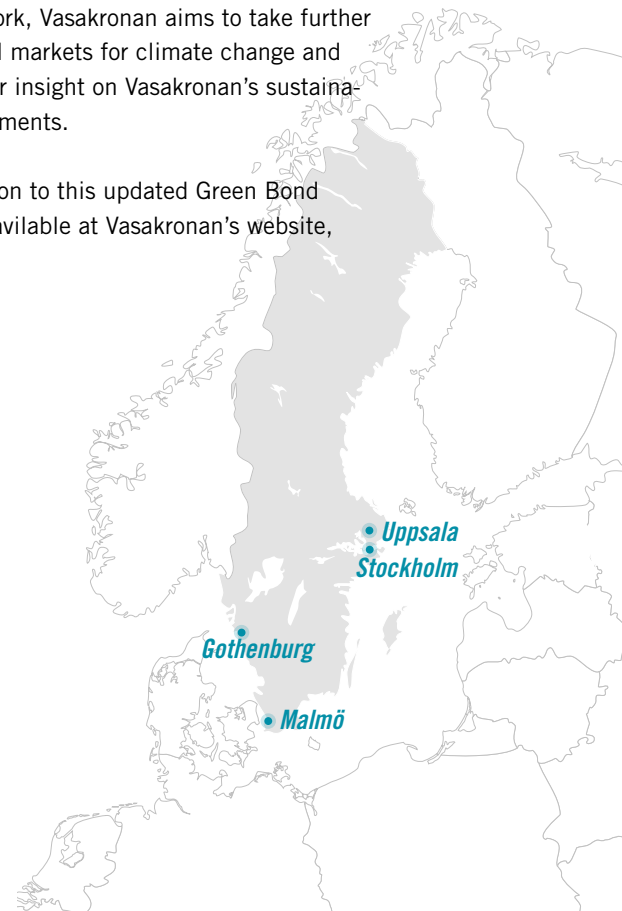
Vasakronan Green Bonds

Vasakronan is an experienced green bond issuer, being the world's first company to issue a green bond in November 2013. This green bond framework is an update to Vasakronan's original framework. By setting up this updated Green Bond framework, Vasakronan aims to take further steps towards mobilizing debt capital markets for climate change and also towards offering investors further insight on Vasakronan's sustainability strategy in line with its commitments.

CICERO has provided a second opinion to this updated Green Bond framework. Which will be publicly available at Vasakronan's website, www.vasakronan.se.

// Stockholm, 2017-03-23

Fredrik Wirdenius CEO
Anna Denell Head of CSR
Thomas Nystedt Group Treasurer



1. Use of Proceeds - Eligible Assets

Vasakronan Green Bonds (Green Bonds) raise funds for eligible new projects and existing buildings (Eligible Assets) with environmental benefits.

Eligible Assets (the Green Pool) is a selected pool of assets funded, in whole or in part, by Vasakronan that promote the transition to low-carbon and climate resilient growth.

Eligible Assets target climate mitigation and adaptation and include sustainable property new construction, major renovations as well as high performing existing buildings operated and maintained in a sustainable way.

Vasakronan is aware that perhaps the greatest opportunities to reduce the environmental impact are often to enhance the operations and maintenance of the existing buildings by lowering the energy consumption, shifting to renewable energy sources and combating emissions from transportation and travel.

List of Eligible Assets, “the Green Pool”

1. New construction and major renovation of buildings owned and managed by subsidiaries of Vasakronan that have an energy performance¹ at least 25 percent below the current building regulation (Swedish BBR code) and that have or will receive a certification of either:

- » **LEED New Construction or Core and Shell, minimum certification level “Platinum”**
- » **BREEAM-SE, minimum certification level “Outstanding”**

2. Existing buildings owned and managed by subsidiaries of Vasakronan that have an energy performance under 100 kWh/sqm and either have a certification from the construction phase (as stated in section 1 above) that is not older than ten years or have received a LEED Existing Buildings:Operations and Maintenance certification (minimum certification level “gold”). Examples of activities that will be performed to obtain the certifications as existing buildings are:

- » **Building energy retrofits (Equipment upgrades, lighting / HVAC or deep retrofits – systems / envelope)**
- » **Onsite renewable energy generation powering the building and/or distributed to the grid (Solar, Wind, Geothermal)**

¹ Expressed in Swedish BBR code as “Primärenergital (PET)”, Primary Energy Number, in [kWh/sqm, year]

- » Offsite renewable energy purchase
- » Peak load demand reduction (Thermal energy storage, batteries and demand response systems)
- » Waste management in place to ensure better recycling rates
- » Minimize potable water consumption / disposal (Capture / recycle storm water, Implement vegetated / green roofing, No potable water in landscaping, Water metering / monitoring systems)
- » Incorporate clean transportation infrastructure (Electric vehicle charging stations, bike facilities)
- » Climate risk analysis and adaptation of buildings to cope with estimated climate change within the coming 50 years (ex. roofs withstanding greater snow loads, onsite storm water capacity)

Assets in category 1 and 2 above will together form the Green Pool. Assets in category 1 will correspond to invested amount. Assets in category 2 will correspond to market value, at time of the issuance, less debts from other sources, if applicable. The market value is determined by accredited appraisers twice a year.

Proceeds from the Vasakronan Green Bonds will not be used to finance any fossil or nuclear power projects.

2. Process of Asset Evaluation and Selection of Eligible Assets

The selection of Eligible Assets is handled by a committee consisting of members from the Treasury department and the CSR department. The decisions are documented and the Head of CSR has a veto in every decision.

To ensure legitimacy in the selection process an updated list of the assets in the Green Pool is kept by the Treasury team. The list will be used as a work tool to determine if there is headroom to issue a Green Bond. Such issuance will require that there is an existing capacity, to utilize the net proceeds in accordance to the Green Bond Framework and Vasakronan's financial policy.

3. Management of Proceeds

An amount equal to the net proceeds of the issue of the Green Bonds will be credited to a Special Account that will support Vasakronan's financing of Eligible Assets.

The proceeds in the Special Account are kept separated from other bank accounts to ensure and enable separate monitoring and tracking of the Green Bonds net proceeds.

A transfer is allowed from the Special Account if the value of the Green Pool exceeds the nominal amount of outstanding Green Bonds. If the Green Pool exceeds the nominal amount the balance of the account will be zero.

If for any reason, a property would not reach the anticipated certification level, that asset will be removed from the Green Pool and replaced by another Eligible Asset.

If Vasakronan sells an existing building that asset will be removed from the Green Pool and replaced by an asset that qualifies in accordance with the Green Bond framework.

Vasakronan will document the transfers to and from the Special Account, to ensure tracking and simplify review.

The Use of proceeds from the Special Account is being reviewed by the company's accountants annually.

Vasakronan will disclose the amount equal to the net proceeds not yet allocated to Eligible Green Projects and Assets, which temporarily held by Vasakronan in form of cash or time deposit with banks. External auditor will review the Special Account balance on an annual basis.

4. Reporting

To enable investors to follow development and provide insight to prioritized areas Vasakronan will provide an annual investor report including:

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The investor reports will be available on Vasakronan's website, vasakronan.se. The reports will be reviewed and verified by the company's accountants.

(1) A list of Eligible Assets in the Green Pool along with, to the extent data is available per asset;

- a) type of certification and level
- b) energy performance (kWh per sqm)
- c) CO₂-emissions (Scope 1 and 2)
- d) waste data (waste diverted from landfill) from the construction phase (for new construction and major renovation projects) or diversion rate for waste collected from tenants (for existing buildings)
- e) water intensity

(2) A selection of project examples

(3) A summary of Vasakronan's Green Bond development and an estimate of the share of financing of new projects versus re-financing of existing buildings

(4) The outstanding amounts of issued Green Bonds.

(5) Balance of the separate Account and the available headroom in green value (if any).

(6) A list of relevant key sustainability figures for the overall company, such as energy performance, CO₂-emissions, waste data and water intensity.

If an Eligible Asset is not fully financed/refinanced with net proceeds from Vasakronan Green Bond, Vasakronan will disclose the entire project and highlight the part financed/refinanced by net proceeds from Vasakronan Green Bond. Vasakronan will only account for the net proceeds and impact in relation to the amount financed/refinanced by Vasakronan Green Bonds in its impact reporting.